

OUTGOING MESSAGE

Approved For Release 2004/11/30 : CIA-RDP78S01932A000100210032-0

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CLASSIFICATION			CIA/OCI			
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MESSAGE HANDLING INDICATOR			DATE-TIME GROUP		CITE	MESSAGE REFERENCE NUMBER
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SOURCE

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ITEM NO:

WH-5

DATE: 1 FEBRUARY 1971

SUBJECT: SHAH OF IRAN COMMENTS ON OIL

THE SHAH WARNED YESTERDAY, IN AN INTERVIEW WITH A CORRESPONDENT FROM THE LONDON DAILY TELEGRAPH, THAT THE OIL CONSUMING COUNTRIES ATTENDING THE WASHINGTON CONFERENCE ON MONDAY WOULD REGRET EVEN THE SLIGHTEST ATTEMPT TO PROVOKE A CONFRONTATION WITH THE OIL PRODUCERS. HE SAID, "...IF THE CONSUMER COUNTRIES WOULD LIKE TO PUT PRESSURE ON US, THEY WOULD GET MUCH LESS OIL." IN ANSWER TO A QUESTION, HOWEVER, HE DENIED THAT THE OIL PURCHASE AGREEMENT NEGOTIATED LAST YEAR WITH THE WESTERN OIL COMPANIES OR THE ST. MORITZ CARTER DEAL WITH THE BRITISH WOULD BE JEOPARDIZED.

THIS INDICATES THAT THE SHAH IS BARGAINING ONLY OVER

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THE OIL LEFT OVER AFTER ALL EXISTING COMMITMENTS ARE MEET. IF SO, HIS THREAT IS A FAIRLY HOLLOW ONE. HE HAS ALREADY RECOMMITTED ANY SURPLUS FOR THE FIRST HALF OF THIS YEAR. AND IN ANY CASE IT IS DOUBTFUL THAT HE REALLY WANTS TO WITHHOLD OIL FROM SALE. WHILE IT IS TRUE THAT IRAN AND OTHER PRODUCERS COULD AFFORD TO WITHHOLD SOME OIL BECAUSE OF THE RECENT TRIPLING OF THEIR REVENUE FROM THE DECEMBER PRICE HIKE, THE SHAH DOESN'T WANT TO WITHHOLD IT. HE WANTS BOTH PRICES AND PRODUCTION UP.

THE SHAH REITERATED HIS OWN POSITION ON PRICES AND SEES LITTLE LIKELIHOOD THEY WILL BE LOWERED. IF THEY ARE TOO HIGH FOR CONSUMERS, HE SUGGESTS THAT GOVERNMENTS REMOVE SOME OF THEIR OWN TAXES WHICH INFLATE THE PRICE OF EACH BARREL AND TAX INSTEAD OTHER ITEMS SUCH AS SUEP AND CIGARETTES. WHEN ASKED ABOUT THE PROBABLE FLOW OF HARD CURRENCY TO THE GULF STATES, THE SHAH SAID THAT IRAN WOULD INVEST ABROAD--IN BRITAIN, FOR EXAMPLE.--ANY REVENUE IT COULD NOT ABSORB IN ITS OWN MASSIVE DEVELOPMENT PROGRAM.

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TO CORRECT THE IMBALANCE BETWEEN DEVELOPED AND UNDER-DEVELOPED NATIONS THE SHAH PROPOSED THAT AN "INTERNATIONAL BOARD" BE SET UP TO STUDY THE NEEDS OF DEVELOPING COUNTRIES AND TO PLACE ORDERS IMPARTIALLY WITH THE INDUSTRIALIZED COUNTRIES. HE SAID SUCH A PROCEDURE WOULD INSURE THAT ONLY ITEMS THAT ARE REALLY NEEDED WOULD BE SENT TO THE DEVELOPING COUNTRIES THEREBY ELIMINATING THE WASTEFULNESS THAT MIGHT OCCUR IF LOANS ARE MADE DIRECTLY TO THE POOR COUNTRIES. ALTHOUGH HE DID NOT ELABORATE ON HOW SUCH A BOARD WOULD FUNCTION, THE PROPOSAL IS PROBABLY A SERIOUS ONE. THE SHAH WOULD LIKE TO DEMONSTRATE THAT HE IS LOOKING OUT FOR THE LESSER DEVELOPED COUNTRIES, IF ONLY TO OFFSET THE CRITICISM THAT MIGHT BE LEVELED AGAINST HIM AS ARCHITECT OF THE HIGHER PRICES.

OVERALL, THERE IS LITTLE NEW IN THE SHAH'S REMARKS, BUT HE CLEARLY WANTS TO PROJECT A TIGHT IMAGE ON THE EVE OF THE WASHINGTON ENERGY DISCUSSIONS.

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